

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3206

STATE OF NEW JERSEY

DATED: JUNE 21, 2012

The Assembly Budget Committee reports favorably Assembly Bill No. 3206.

This bill expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the annual total amount of tax credits allowable from \$10,000,000 to \$15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 percent of the approved assistance provided to a nonprofit organization to implement a qualified project that is part of an approved neighborhood preservation and revitalization plan. Per taxable year, the credit allowed to a business entity may not exceed \$1,000,000 or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is specifically *not* allowed against the gross income tax.

This bill expands the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

FISCAL IMPACT:

While no data are available concerning the number of contributors or the amounts contributed, the flat annual predicted credit participation of \$4.8 million annually reported in the Division of Taxation *Tax Expenditure Report* of February 22, 2011 suggests a small but reliable pool of contributors. Adding gross income tax payers to this pool of contributors, which may represent the smaller businesses which tend to be more involved with their local charitable organizations, would be expected to increase contributions, but the response of these businesses cannot be predicted from the information available.